



## **Ventersdorp Local Municipality**

**Annual Financial Statements  
for the year ended 30 June 2010**

***Frans Rootman & Associates CC  
Issued 03 November 2010***

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services
<b>Council members</b>	
Mayor	Clr Lephoi CN
Councillors	Clr Jones AL Clr Lekopa ET Clr Matabogo MM Clr Moabi NS Clr Mogwata C Clr Mojahi MM Clr Motladile AS Clr Nkomo MT Clr Patu V
<b>Grading of local authority</b>	5
<b>Accounting Officer</b>	MK Leluma Acting Municipal Manager
<b>Chief Finance Officer (CFO)</b>	CWK Kgosiemang Acting Chief Financial Officer
<b>Accountants</b>	Frans Rootman & Associates CC

# Ventersdorp Local Municipality

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The reports and statements set out below comprise the annual financial statements to be presented to the Council:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
CR	Capitalization Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GGR	Government Grant Reserve
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council

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MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

## **Ventersdorp Local Municipality**

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### **Accounting Officer's Responsibilities and Approval**

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I am responsible for the preparation of these Annual Financial Statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act. The annual financial statements set out on pages 5 to 39, which have been prepared on the going concern basis, were approved by the accounting officer on 03 November 2010.

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**Accounting Officer**  
**MK Leluma - Acting Municipal Manager**

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2010.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in providing municipal services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any material matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

None.

### 5. Accounting Officer

The accounting officer of the municipality at the date of this report was : MK Leluma - Acting Municipal Manager

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	991,802	1,266,902
Other receivables from non-exchange transactions	4	2,430,387	809,430
VAT receivable	9	4,708,799	7,315,083
Consumer debtors	5	6,622,249	7,775,756
Cash and cash equivalents	6	4,919,572	7,423,359
		<b>19,672,809</b>	<b>24,590,530</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	77,878,546	65,076,732
Other financial assets	3	11,133	11,133
		<b>77,889,679</b>	<b>65,087,865</b>
<b>Total Assets</b>		<b>97,562,488</b>	<b>89,678,395</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	11	782,478	761,216
Trade and other payables	12	39,046,913	20,519,272
Consumer deposits	13	892,335	863,180
Bank overdraft	6	463,923	9,612,410
		<b>41,185,649</b>	<b>31,756,078</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	11	20,351,279	21,077,028
Finance lease obligation	14	-	56,724
Unspent conditional grants and receipts	15	-	452,990
		<b>20,351,279</b>	<b>21,586,742</b>
<b>Total Liabilities</b>		<b>61,536,928</b>	<b>53,342,820</b>
<b>Net Assets</b>		<b>36,025,560</b>	<b>36,335,575</b>
<b>Net Assets</b>			
Reserves			
Housing Development Fund	10	740,924	6,155,748
Capitalisation reserve	16	11,120,862	10,909,018
Government grant reserve	17	39,159,765	26,492,569
Accumulated deficit		(14,995,991)	(7,221,760)
<b>Total Net Assets</b>		<b>36,025,560</b>	<b>36,335,575</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
<b>Revenue</b>			
Property rates	19	3,169,019	3,073,591
Service charges	20	26,299,415	24,496,121
Rental of facilities and equipment		32,201	39,098
Interest received - investment	23	500,644	707,000
Fines		5,590,878	6,137,693
Licences and permits		1,621,118	1,117,632
Government grants & subsidies	21	46,305,071	35,547,924
Other income	22	710,705	983,099
<b>Total Revenue</b>		<b>84,229,051</b>	<b>72,102,158</b>
<b>Expenditure</b>			
Personnel	24	(22,599,509)	(20,057,479)
Remuneration of councillors	25	(2,047,050)	(2,057,308)
Leave pay (provision) / reversal	26	326,119	(171,234)
Depreciation and amortisation	27	(4,127,628)	(3,152,245)
Finance costs	28	(3,285,805)	(2,788,165)
Provision - bad debts	29	(8,183,554)	(2,000,000)
Repairs and maintenance		(2,587,485)	(1,143,180)
Bulk purchases	31	(15,078,523)	(11,323,165)
Contracted services	30	(6,735,257)	(6,939,382)
General expenses	32	(24,427,229)	(28,159,604)
<b>Total Expenditure</b>		<b>(88,745,921)</b>	<b>(77,791,762)</b>
<b>Deficit for the year</b>		<b>(4,516,870)</b>	<b>(5,689,604)</b>



# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Changes in Net Assets

	Housing Development Fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Total reserves	Accumulated deficit	Total net assets
Figures in Rand							
<b>Balance at 01 July 2008</b>	<b>322,478</b>	-	<b>11,743,501</b>	<b>18,256,165</b>	<b>30,322,144</b>	<b>5,500,748</b>	<b>35,822,892</b>
Changes in net assets							
Assets purchased	-	-	46,011	9,357,196	9,403,207	(9,403,207)	-
Housing Development Fund	5,833,270	-	-	-	5,833,270	369,017	6,202,287
Offsetting depreciation	-	-	(880,494)	(1,120,792)	(2,001,286)	2,001,286	-
	5,833,270	-	(834,483)	8,236,404	13,235,191	(7,032,904)	6,202,287
Deficit for the year	-	-	-	-	-	(5,689,604)	(5,689,604)
Sub total	5,833,270	-	(834,483)	8,236,404	13,235,191	(12,722,508)	512,683
Total changes	5,833,270	-	(834,483)	8,236,404	13,235,191	(12,722,508)	512,683
<b>Balance at 01 July 2009</b>	<b>6,155,748</b>	-	<b>10,909,018</b>	<b>26,492,569</b>	<b>43,557,335</b>	<b>(7,221,761)</b>	<b>36,335,574</b>
Changes in net assets							
Deficit for the year	-	-	-	-	-	(4,516,870)	(4,516,870)
Other	285	-	-	-	285	6,326,185	6,326,470
Contributions introduced	649,779	-	-	-	649,779	-	649,779
Prior year VAT adjustments	-	-	-	-	-	3,295,496	3,295,496
Assets purchased	(6,064,888)	-	1,269,097	14,217,035	9,421,244	(15,486,133)	(6,064,889)
Offsetting depreciation	-	-	(1,057,253)	(1,549,839)	(2,607,092)	2,607,092	-
Total changes	(5,414,824)	-	211,844	12,667,196	7,464,216	(7,774,230)	(310,014)
<b>Balance at 30 June 2010</b>	<b>740,924</b>	-	<b>11,120,862</b>	<b>39,159,765</b>	<b>51,021,551</b>	<b>(14,995,991)</b>	<b>36,025,560</b>
Note(s)	10		16	17			

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Annual Financial Statements for the year ended 30 June 2010

## Cash flow statement

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Delivery of services and other revenue		69,035,391	72,374,246
Interest income		500,644	707,000
		<u>69,536,035</u>	<u>73,081,246</u>
<b>Payments</b>			
Suppliers and employees		(46,121,734)	(70,437,082)
Finance costs		(3,285,805)	(2,788,165)
		<u>(49,407,539)</u>	<u>(73,225,247)</u>
<b>Net cash flows from operating activities</b>	34	<b>20,128,496</b>	<b>(144,001)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(16,929,442)	(11,559,027)
Proceeds from sale of financial assets		-	391,583
Increase in non-current receivables		-	1,102,807
<b>Net cash flows from investing activities</b>		<b>(16,929,442)</b>	<b>(10,064,637)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(704,487)	(761,215)
Finance lease payments		(56,724)	-
Other		4,206,857	32,572
<b>Net cash flows from financing activities</b>		<b>3,445,646</b>	<b>(728,643)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,644,700</b>	<b>(10,937,281)</b>
Cash and cash equivalents at the beginning of the year		(2,189,051)	8,748,230
<b>Cash and cash equivalents at the end of the year</b>	6	<b>4,455,649</b>	<b>(2,189,051)</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.1 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20-30
• Water	15-20
• Sewerage	15-20
• Housing	30
Community	
• Improvements	30
• Recreational facilities	20-30
• Security	5
Other property, plant and equipment	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Bins and containers	5
• Specialized plant and equipment	10-15
• Other plant and equipment	2-5
• Landfill sites	15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.2 Financial instruments

#### Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Trade and other receivables

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified as irrecoverable. Amounts that are receivable within 12 months from the reporting date are classified as current.

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Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.2 Financial instruments (continued)

#### Trade and other payables

Trade payables are stated at their nominal value.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

### 1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in

# Ventersdorp Local Municipality

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## Accounting Policies

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### 1.3 Leases (continued)

the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### 1.4 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.5 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

## Accounting Policies

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### 1.5 Impairment of cash-generating assets (continued)

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.6 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Other post retirement obligations

The municipality provides post-retirement medical scheme benefits upon retirement to retirees.

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

### 1.8 Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognized on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportion bases.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.



# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.8 Revenue from exchange transactions (continued)

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

### 1.9 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.9 Revenue from non-exchange transactions (continued)

evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.10 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.15 Irregular expenditure (continued)

where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.16 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.17 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.18 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of delegated powers. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The following provisions are set for the creation and utilization of the CRR:

- The cash funds, which back up the CRR, are invested until utilized. The cash may only be invested in accordance with the investment policy of the Municipality.
- The CRR may only be utilized for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus/ (deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

## Accounting Policies

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### 1.18 Internal reserves (continued)

#### **Capitalisation reserve**

On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

#### **Government grant reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

#### **Donations and public contributions reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

### 1.19 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.19 Investments (continued)

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

#### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

### 1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.21 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>2. Inventories</b>		
Consumable stores - at cost	581,302	856,402
Unsold properties held for resale - at net realizable value	410,500	410,500
	<b>991,802</b>	<b>1,266,902</b>
<b>3. Other financial assets</b>		
<b>Investments long-term</b>		
Listed shares	11,133	11,133
977 Senwes Ltd shares		
Market value R7,425 (2009:R5,764)		
1497 Senwes Bel Ltd shares		
Market value R6,886 (2009:R6,287)		
<b>Total market value R14,311 (2009: R12,051)</b>		
<b>Non-current assets</b>		
Investments	11,133	11,133
<b>4. Other receivables from non-exchange transactions</b>		
Sundry default account	427,457	427,457
Grants not received (SDM for health salaries)	311,199	311,199
Library books	-	35,478
BP fuel stock overpaid	-	12,504
TMT suspense	156,580	8,260
Other	417,066	14,532
Unspent grant with debit balance	1,118,085	-
	<b>2,430,387</b>	<b>809,430</b>
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	2,561,980	2,046,735
Electricity	3,571,906	2,373,402
Water	2,736,930	1,756,901
Sewerage	3,471,237	2,533,668
Refuse	2,346,146	1,684,062
Debtors interest	2,485,485	3,367,814
Other	2,164,848	9,968
Sundry debtors	7,818,054	11,313,429
	<b>27,156,586</b>	<b>25,085,979</b>
<b>Less: Provision for bad debts</b>		
Rates	(1,937,231)	(1,412,320)
Electricity	(3,078,311)	(1,637,732)
Water	(2,359,097)	(1,212,324)
Sewerage	(2,992,217)	(1,748,322)
Refuse	(2,022,396)	(1,162,063)
Debtors interest	(1,879,389)	(2,323,912)
Other	-	(6,878)
Sundry debtors	(6,265,696)	(7,806,672)
	<b>(20,534,337)</b>	<b>(17,310,223)</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>5. Consumer debtors (continued)</b>		
<b>Net balance</b>		
Rates	624,749	634,415
Electricity	493,595	735,670
Water	377,833	544,577
Sewerage	479,020	785,346
Refuse	323,750	521,999
Debtors interest	606,096	1,043,902
Other	2,164,848	3,090
Sundry debtors	1,552,358	3,506,757
	<b>6,622,249</b>	<b>7,775,756</b>
<b>Net Rates</b>		
Current	-	595
30 days	59,340	239,684
31 - 60 days	34,525	150,958
61 - 90 days	27,299	120,595
> 90 days	503,585	122,583
	<b>624,749</b>	<b>634,415</b>
<b>Net Electricity</b>		
Current	152,182	26,249
30 days	43,173	709,421
31 - 60 days	73,372	-
61 - 90 days	224,868	-
	<b>493,595</b>	<b>735,670</b>
<b>Net Water</b>		
Current	50,308	16
30 days	18,324	219,643
31 - 60 days	17,316	96,953
61 - 90 days	291,885	96,946
> 90 days	-	131,019
	<b>377,833</b>	<b>544,577</b>
<b>Net Sewerage</b>		
Current	36,371	45
30 days	29,351	265,033
31 - 60 days	27,731	189,103
61 - 90 days	385,567	129,775
> 90 days	-	201,390
	<b>479,020</b>	<b>785,346</b>
<b>Net Refuse</b>		
Current	23,574	35
30 days	19,787	164,136
31 - 60 days	18,862	119,616
61 - 90 days	261,527	77,622
> 90 days	-	160,590
	<b>323,750</b>	<b>521,999</b>
<b>Net Debtors interest</b>		
> 90 days	606,096	1,043,902

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>5. Consumer debtors (continued)</b>		
<b>Net Other</b>		
Current	265,702	870
31 - 60 days	112,083	2,220
61 - 90 days	139,018	-
91 - 120 days	1,648,045	-
	<b>2,164,848</b>	<b>3,090</b>
<b>Net Sundry</b>		
Current	3,527	84
30 days	1,446	21,855
31 - 60 days	1,370	621
61 - 90 days	1,546,015	3,484,197
	<b>1,552,358</b>	<b>3,506,757</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current	1,267,451	1,743
30 days	779,641	961,517
31 - 60 days	712,281	516,601
61 - 90 days	19,357,521	387,885
> 90 days	-	19,053,248
	<b>22,116,894</b>	<b>20,920,994</b>
<b>Industrial/ commercial</b>		
Current	1,009,850	25,411
30 days	192,814	812,948
31 - 60 days	239,552	255,280
61 - 90 days	1,781,524	136,691
> 90 days	-	1,523,381
	<b>3,223,740</b>	<b>2,753,711</b>
<b>National and provincial government</b>		
Current	89,784	-
30 days	63,922	129,540
31 - 60 days	269,971	63,516
61 - 90 days	1,392,276	59,359
> 90 days	-	1,158,859
	<b>1,815,953</b>	<b>1,411,274</b>
<b>Total</b>		
Current	2,367,085	27,154
30 days	1,036,376	1,904,005
31 - 60 days	1,221,804	835,397
61 - 90 days	22,531,321	583,935
> 90 days	-	21,735,488
	27,156,586	25,085,979
Less: Provision for bad debts	(20,534,337)	(17,310,223)
	<b>6,622,249</b>	<b>7,775,756</b>
<b>Provision for bad debts</b>		
> 90 days	(20,534,337)	(17,310,223)



# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 5. Consumer debtors (continued)

#### Reconciliation of bad debt provision

Balance at beginning of the year	(17,310,223)	(32,119,396)
Contributions to provision	(8,183,554)	(2,000,000)
Debt impairment written off against provision	4,959,440	16,809,173
	<b>(20,534,337)</b>	<b>(17,310,223)</b>

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,850	3,850
Short-term deposits	4,915,722	7,419,509
Bank overdraft	(463,923)	(9,612,410)
	<b>4,455,649</b>	<b>(2,189,051)</b>
Current assets	4,919,572	7,423,359
Current liabilities	(463,923)	(9,612,410)
	<b>4,455,649</b>	<b>(2,189,051)</b>

#### Additional disclosure:

##### Note 1 -

R159,554 (2009: R6,056,576) of the Housing Bank account was banked into the primary account and not yet transferred at year end.

##### Note 2 -

There is a deposit account called "DIE PERDBEELD PROJEK" at ABSA with account number 20-2433-0721. It is not disclosed in this AFS figures as the bank could not provide copies of original signatories at the opening of the account. It is however believed that Council has full control over the funds as statements are sent to the Council's postal address. Balance R45,080 (2009: R43,636)

#### Short term fixed deposits

Short term fixed deposits consists of :

ABSA	1,493,793	5,292,210
INCA	3,301,929	2,007,299
Old Mutual	120,000	120,000
	<b>4,915,722</b>	<b>7,419,509</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK, Ventersdorp branch - Primary Account - Account number 22-5000-0017	346,693	(985,957)	377,455	(1,103,218)	(11,124,109)	1,478,772
ABSA BANK, Ventersdorp branch - TMT Account - Account number 91-1105-1672	57,925	1,410,978	107,239	57,925	1,410,977	(107,239)
ABSA BANK, Ventersdorp branch - Housing Development Account - Account number 40-6038-4282	581,370	99,172	-	581,370	100,722	(322,478)
<b>Total</b>	<b>985,988</b>	<b>524,193</b>	<b>484,694</b>	<b>(463,923)</b>	<b>(9,612,410)</b>	<b>1,049,055</b>

### 7. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	13,153,289	(868,581)	12,284,708	11,709,979	(572,235)	11,137,744
Infrastructure	50,417,989	(6,229,330)	44,188,659	42,083,497	(4,605,690)	37,477,807
Community	14,316,881	(1,601,594)	12,715,287	8,434,340	(874,435)	7,559,905
Other property, plant and equipment	11,905,690	(5,567,649)	6,338,041	10,636,589	(4,087,164)	6,549,425
Artwork	1,332	-	1,332	1,332	-	1,332
Investment assets	2,350,519	-	2,350,519	2,350,519	-	2,350,519
<b>Total</b>	<b>92,145,700</b>	<b>(14,267,154)</b>	<b>77,878,546</b>	<b>75,216,256</b>	<b>(10,139,524)</b>	<b>65,076,732</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Buildings	11,137,744	1,443,310	(296,346)	12,284,708
Infrastructure	37,477,807	8,334,493	(1,623,641)	44,188,659
Community	7,559,905	5,882,542	(727,160)	12,715,287
Other property, plant and equipment	6,549,425	1,269,097	(1,480,481)	6,338,041
Artwork	1,332	-	-	1,332
Investment assets	2,350,519	-	-	2,350,519
	<b>65,076,732</b>	<b>16,929,442</b>	<b>(4,127,628)</b>	<b>77,878,546</b>

#### Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Depreciation	Total
Buildings	9,226,533	2,155,821	(244,610)	11,137,744
Infrastructure	33,955,572	5,065,177	(1,542,942)	37,477,807
Community	3,600,358	4,338,029	(378,482)	7,559,905
Other property, plant and equipment	7,535,636	-	(986,211)	6,549,425
Heritage	1,332	-	-	1,332
Investment assets	2,350,519	-	-	2,350,519
	<b>56,669,950</b>	<b>11,559,027</b>	<b>(3,152,245)</b>	<b>65,076,732</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### **7. Property, plant and equipment (continued)**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Assets were included in the register based on a physical verification exercise (with the exception of infrastructure assets). Any assets written away from the records were as a result of non-verification of assets.

### **8. Retirement benefits**

#### **Retirement benefits**

Personnel and Councillors are members of the following funds:

Joint Municipal Pension Fund (JMPF)  
Municipal Gratuity Fund (MGF)  
Municipal Employees Pension Fund (MEPF)  
Municipal Councillors Pension Fund (MCPF)  
Government Employees Pension Fund  
National Fund for Municipal Workers (NFMW)

Valuations	Actuarial	Interim	Level
------------	-----------	---------	-------

Last known actuarial valuations is as follows:

The Municipal Gratuity Fund is a defined benefit governed under the Pension Fund Act of 1956. The most recent actuarial valuation indicated that the fund was financially sound.	30-Jun-02	30-Jun-04	Fully Funded
--	-----------	-----------	--------------

The NFMW is a fixed contribution fund and there is no statutory requirement to do an actuarial valuation	30-Jun-04	30-Jun-05	Fully Funded
--	-----------	-----------	--------------

The MEPF is a fixed contribution fund.	28-Feb-02	28-Feb-05	Fully Funded
--	-----------	-----------	--------------

All Councillors and employees belong to the 5 defined benefit retirement funds administered by the Provincial Pension Fund as disclosed above. These funds are subject to a triennial actuarial valuation.

An amount of R2,572,400 (2009: R2,185,521) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

### **9. VAT receivable**

Net VAT receivable	4,708,799	7,315,083
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VAT is payable on the receipts basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>10. Housing Development Fund</b>		
Opening balance	6,155,748	-
Unappropriated surplus / GRAP implementation	(6,064,888)	6,155,748
Other	650,064	-
	<b>740,924</b>	<b>6,155,748</b>
<b>The Housing Development Fund is represented by the following assets:</b>		
Bank balance	581,370	99,172
Debtors	158,004	6,055,026
Debtors - ABSA debit order	1,550	1,550
	<b>740,924</b>	<b>6,155,748</b>
<b>11. Other financial liabilities</b>		
<b>Held at amortised cost</b>		
INCA	18,109,427	18,627,690
Bears interests at 9.28% and 11% interest respectively. The loans are secured by means of a R2 million investment with a redemption fund investment made at INCA specifically for this purpose. Instalments are payable six monthly at the end of December and June each year and is redeemable on 31 December 2026 and 30 June 2022.		
Development Bank of South Africa	3,024,330	3,210,554
The interest rate on the different loans varies between 8.78% & 12%. Instalments are payable six monthly at the end of December and June or September and March each year. The loans are redeemable on 31 December 2011, 30 September 2017 and 30 June 2027.		
	<b>21,133,757</b>	<b>21,838,244</b>
<b>Non-current liabilities</b>		
At amortised cost	20,351,279	21,077,028
<b>Current liabilities</b>		
At amortised cost	782,478	761,216
	<b>21,133,757</b>	<b>21,838,244</b>
Refer to Appendix A for more detail on long-term liabilities.		
<b>12. Trade and other payables</b>		
Trade payables	33,857,626	16,295,092
Payments received in advance - consumer debtors	1,202,667	1,009,426
Retentions	1,172,538	262,407
Accrued leave pay	1,357,463	1,469,636
Other Creditors	1,456,619	1,482,711
	<b>39,046,913</b>	<b>20,519,272</b>
<b>13. Consumer deposits</b>		
Electricity	892,335	1,269,482
Water	-	(406,302)
	<b>892,335</b>	<b>863,180</b>

No guarantees are held in lieu of Electricity and Water deposits

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>14. Finance lease obligation</b>		
<b>Present value of minimum lease payments due</b>		
- not later than one year	-	11,344
- later than one year and not later than five years	-	45,380
	-	<b>56,724</b>
The finance leases are for vehicles. ABSA bears interest at 11.29% and Standard Bank at 16.15%. Instalments are payable on a monthly basis and is redeemable as per Appendix A.		
<b>Finance leases / vehicle finance</b>		
ABSA	-	5,559
Standard Bank - Loan 13	-	25,583
Standard Bank - Loan 14	-	25,582
	-	<b>56,724</b>
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
MIG Grants	-	452,990
<b>Movement during the year</b>		
Balance at the beginning of the year	452,990	-
Unspent grant with debit balance transferred to debtors	1,118,085	-
MIG Grants	(1,571,075)	452,990
	-	<b>452,990</b>
The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.		
<b>16. Capitalisation reserve</b>		
Opening balance	10,909,018	11,743,501
Contribution of accumulated surplus - assets purchased	1,269,097	46,011
Offsetting depreciation	(1,057,253)	(880,494)
	<b>11,120,862</b>	<b>10,909,018</b>
<b>17. Government grant reserve</b>		
Opening balance	26,492,569	18,256,165
Contribution from accumulated surplus - assets purchased	14,217,035	9,357,196
Offsetting depreciation	(1,549,839)	(1,120,792)
	<b>39,159,765</b>	<b>26,492,569</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>18. Revenue</b>		
Property rates	3,169,019	3,073,591
Service charges	26,299,415	24,496,121
Rental of facilities & equipment	32,201	39,098
Fines	5,590,878	6,137,693
Licences and permits	1,621,118	1,117,632
Government grants & subsidies	46,305,071	35,547,924
Interest received	500,644	707,000
Other income	710,705	983,099
	<b>84,229,051</b>	<b>72,102,158</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	26,299,415	24,496,121
Rental of facilities & equipment	32,201	39,098
Licences and permits	1,621,118	1,117,632
Other income	710,705	983,099
	<b>28,663,439</b>	<b>26,635,950</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	3,169,019	3,073,591
Fines	5,590,878	6,137,693
Government grants & subsidies	46,305,071	35,547,924
Interest received	500,644	707,000
	<b>55,565,612</b>	<b>45,466,208</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 19. Property rates

#### Rates received

Residential	1,822,679	2,332,844
Business	1,124,678	507,713
Government	132,527	185,867
Agricultural	89,135	47,167
	<b>3,169,019</b>	<b>3,073,591</b>

In '000

#### Valuations

Residential	9,529,954	15,559
Business	1,204,772	1,671
Government	202,642	1,806
Agricultural	41,262	-
Educational	1,211	612
	<b>10,979,841</b>	<b>19,648</b>

Valuations on land and buildings are performed every four years. The previous general valuation came into effect on 1 July 2005 and have been effective until 30 September 2009. The new Property Rates Act was implemented on 1 October 2009 together with a new valuation roll. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0035 cent (2009: 18 cent only on land value) in the rand on both the land and improvement value of residential properties is applied to property valuations to determine assessment rates.

### 20. Service charges

Sale of electricity	18,004,941	17,095,146
Sale of water	2,889,510	2,580,495
Solid waste	2,154,272	1,927,952
Sewerage and sanitation charges	3,250,692	2,892,528
	<b>26,299,415</b>	<b>24,496,121</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>21. Government grants and subsidies</b>		
Department of Water Affairs and Forestry (DWAF)	2,150,610	1,000,000
Equitable share	25,903,219	21,600,972
HSRP	-	295,000
Housing subsidy	1,310,128	1,065,116
MFG (Municipal finance grant)	750,000	1,250,000
MIG (Municipal infrastructure grant)	14,217,035	9,094,789
MIG Grant - Project Management Unit (PMU)	939,079	-
MSIG (Municipal systems improvement grant)	735,000	735,000
Subsidy Health Department	-	183,607
Subsidy Library	300,000	323,440
	<b>46,305,071</b>	<b>35,547,924</b>

### Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy

All registered indigent consumers of municipal services receive a monthly subsidy of R 115 (2009: R 101) if the household income is below R2,020 (2009: R1,740) per month, which is funded from the grant.

### Total government grant and subsidies

The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality, if applicable.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.



# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>22. Other income</b>		
Administration fees	55,914	14,709
Advertisements sign income	2,451	1,850
Vehicles sold	-	391,583
Building scheme general	-	10,000
Cleaning of stands	-	660
Clearance certificates	5,456	6,934
Connection fees water	7,092	5,505
Connection fees electricity	3,926	4,722
Discount received	121,802	88,918
Labour - new connections	5,600	15,222
Lost books	286	666
Membership card fees - library	7,749	6,284
Notice and posters	-	180
Photo copies	1,917	1,831
Re-connection fees	-	15,980
Sale of top soil	1,992	9,730
Selling of stand	239,467	19,004
Skills development claim refund	99,957	97,117
Stock surplus	99,031	249,099
Tender documents	48,200	31,600
Town planning / building plans	5,181	5,330
Valuation certificates	4,684	6,175
	<b>710,705</b>	<b>983,099</b>
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Interest earned on investments	427,066	645,825
Bank	73,578	61,175
	<b>500,644</b>	<b>707,000</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 24. Employee related costs

Allowances	1,724,701	1,410,375
Bonus	1,589,495	1,279,938
Housing benefits and allowances	459,827	365,617
Medical aid, UIF and pension fund contributions	3,951,394	3,366,502
Other short term costs	74,849	72,643
Overtime payments	645,175	933,110
Salaries and wages	14,154,068	12,629,294
	<b>22,599,509</b>	<b>20,057,479</b>

### Remuneration of chief finance officer

Annual Remuneration	344,924	129,833
Car Allowance	36,173	20,000
Housing	161,438	66,555
Phone	7,200	2,300
Leave	35,116	-
	<b>584,851</b>	<b>218,688</b>

### Remuneration of executive directors

#### Governance (office of municipal manager)

Due to the Municipal Manger being seconded by BITOU Municipality to Ventersdorp, no remuneration expense was incurred by the municipality.

#### Corporate and human resources (corporate services)

Annual Remuneration	455,031	378,679
Car Allowance	290,723	313,791
Phone	9,600	6,300
Acting allowance	-	4,280
	<b>755,354</b>	<b>703,050</b>

#### Engineering services

Annual Remuneration	482,003	-
Car Allowance	147,316	-
Housing	103,926	-
Phone	9,600	-
	<b>742,845</b>	<b>-</b>

#### Community development

Annual Remuneration	433,910	292,124
Car Allowance	152,980	117,559
Housing	129,600	90,000
Phone	9,600	4,800
Acting allowance	-	17,460
	<b>726,090</b>	<b>521,943</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>24. Employee related costs (continued)</b>		
<b>Finance and economic development</b>		
Annual Remuneration	-	357,160
Car Allowance	-	166,194
Housing	-	78,190
Phone	-	5,800
Acting allowance	-	14,037
	<b>-</b>	<b>621,381</b>
<b>25. Remuneration of councillors</b>		
Mayor	391,939	387,157
Allowance vehicle councillors	483,325	470,522
Allowance councillors	1,058,059	1,024,395
Allowance cell phone	113,727	111,463
Medical fund	-	63,771
	<b>2,047,050</b>	<b>2,057,308</b>
<b>In-kind benefits</b>		
The Mayor is full-time. She is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties and has a full time driver.		
The Mayor has access to a budget of R110 000 per annum to be utilized as she deems fit.		
<b>26. Leave pay provision</b>		
Leave pay provision made / (reversed) for the year	(326,119)	171,234
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	4,127,628	3,152,245
<b>28. Finance costs</b>		
Interest DBSA	311,403	329,451
Interest penalties	959,450	33,747
Other interest paid	2,014,092	2,133,017
Trade and other payables - Escom	860	291,950
	<b>3,285,805</b>	<b>2,788,165</b>
<b>29. Provision bad debts</b>		
Provision bad debts	8,183,554	2,000,000

## Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>30. Contracted services</b>		
Services rendered - BCX Support	461,614	531,596
Services rendered - TMT	3,112,507	3,500,609
Service rendered - Debtmanager	1,153,870	1,471,127
Other contractors	1,798,728	1,203,993
Meter readings	208,538	232,057
	<b>6,735,257</b>	<b>6,939,382</b>
<b>31. Bulk purchases</b>		
Electricity	14,165,384	10,135,153
Water	913,139	1,188,012
	<b>15,078,523</b>	<b>11,323,165</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>32. General expenses</b>		
Advertising	131,972	168,850
Auditors remuneration	850,009	1,071,311
Bank charges	171,243	246,042
Biopelo HIV project	-	90,993
Cleaning Project Tshing (Mayor)	-	320,000
Consulting and professional fees	1,585,149	451,720
Entertainment	30,831	30,319
Expanded public works programme	-	79,189
Free basic services	1,256,098	1,985,452
Fuel and oil	506,879	791,220
Housing projects expenditure	1,310,128	1,065,116
IDP document	51,524	26,553
Insurance	750,869	613,149
LED	9,394	65,253
Law amendments	246,931	11,374
Legal fees	730,078	270,459
Library programmes	263,177	113,823
License fee and licenses cards	20,376	72,991
MFG project	297,143	852,991
Material and equipment	300,964	189,480
Mayor special fund	46,411	50,839
Other	3,173,992	127,848
PMU general expenses	501,199	303,662
Phila Siswe project (SDM)	-	46,179
Postage and telegrams	88,921	148,280
Printing and stationery	356,634	87,859
Public participation process	210,208	194,572
Rental of equipment	2,926,212	6,608,614
Rental of vehicles	6,266,737	8,186,081
Skills development levy	191,412	176,888
Social development	-	74,885
Software (firewalls and anti-virus)	1,480	35,404
Solid waste management	63,802	55,175
Stipends for ward committee member	-	2,000
Stock shortage	412,284	336,559
Subsistence and travelling expenses	440,322	353,142
Telephone and fax	986,932	1,218,176
Training	247,666	25,246
Valuation cost	252	1,431,414
Vukani project (SDM)	-	88,169
Women gala dinner - mayoral project	-	92,327
	<b>24,427,229</b>	<b>28,159,604</b>
<b>33. Auditors' remuneration</b>		
Fees	850,009	1,071,311
<b>34. Cash generated from (used in) operations</b>		
Deficit	(4,516,870)	(5,689,604)
<b>Adjustments for:</b>		
Depreciation and amortisation	4,127,628	3,152,245
Bad debt provision	8,183,554	2,000,000
Contribution to/from provisions non-current	-	4,202,290
(Loss) / Gain disposal of property, plant and equipment	-	(391,587)
<b>Changes in working capital:</b>		
Inventories	275,100	(686,264)
Other receivables	(1,620,957)	100,461

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>34. Cash generated from (used in) operations (continued)</b>		
Consumer debtors	(7,030,047)	878,627
Trade and other payables	18,527,639	5,909,842
VAT	2,606,284	(7,444,143)
Unspent conditional grants and receipts	(452,990)	(2,259,789)
Consumer deposits	29,155	-
Increase in current portion long-term liabilities	-	83,921
	<b>20,128,496</b>	<b>(144,001)</b>
<b>35. Capital Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Community	-	5,623,622
• Roads and storm water	-	755,731
	<b>-</b>	<b>6,379,353</b>
<b>Approved not yet contracted for (as per approved 2010/11 budget)</b>		
• Community	2,457,729	1,101,217
• Municipal Council	-	2,812,000
• Local Economic Development	-	100,000
• Roads and Storm Water	12,418,281	1,668,631
• Sanitation and Waste Management	9,168,937	5,825,000
• Water	2,225,842	-
	<b>26,270,789</b>	<b>11,506,848</b>
<b>Funding sources</b>		
<b>This expenditure will be financed from:</b>		
- Capital Replacement Reserve / Capitalisation Reserve	-	14,959,201
- Government and Other Grants	26,270,789	1,300,000
- External Loans	-	1,627,000
	<b>26,270,789</b>	<b>17,886,201</b>
The commitments that the municipality have in terms of capital expenditure are not adequately funded as can be seen on the statement of financial position on 30 June 2010.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- not later than one year	183,362	3,615,741
- later than one year and not later than five years	2,425,169	4,455,505
	<b>2,608,531</b>	<b>8,071,246</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### **36. Contingencies**

#### **Contingent liability**

Claim for damages	-	8,952,085
Breach by council in respect of contractual agreement - PSU	R	334 970
Breach by council in respect of contractual agreement - Fleet Africa	R	3 579 113
Breach by council in respect of contractual agreement - Wesbank	R	1 412 802
Breach by council in respect of contractual agreement - Wesbank :	R	3 625 200

### **37. Related parties**

Councillors, the Municipal Manager and section 57 personnel reporting to the Municipal Manager are considered related parties in light of their control over the municipality as Councillors and their management position in terms of positions held in the municipality. No inter-party business transactions took place between the Ventersdorp Local Municipality and these persons and their close family members for the year under review. Details relating to their remuneration are disclosed in the notes above. Normal consumer services rendered to the public have also been rendered to the mentioned parties at approved tariffs that were advertised to the public.

As an organ of state, the municipality render normal consumer services to other organs of state like Public Works, SAPS etc.

### **38. Risk management**

#### **Liquidity risk**

Ventersdorp Local Municipality does not adequately manage its liquidity risk. The risk is explained or highlighted in the accounting policy note..

#### **Interest rate risk**

Ventersdorp Local Municipality is not exposed to interest rate risk on its financial liabilities. All the Municipalities interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rates.

#### **Credit risk**

Credit Risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks. Credit Risk related to consumer debtors is managed in accordance with the Councils credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

### **39. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **40. Unauthorised expenditure**

Overspending on operating expenses	12,922,271	4,426,435
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During the year ending June 2010 the above material expenditure was not formally authorised by Council. See detailed analysis as disclosed in appendix E1 and E2.

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### **41. Fruitless and wasteful expenditure**

No known material fruitless and wasteful expenditure were incurred in the current or prior year, except for penalties and interest charged by SARS to the amount of R33 746 and Eskom for late payment to the amount of R291 950.

### **42. Additional disclosure in terms of Municipal Finance Management Act**

#### **Contributions to organised local government**

Opening balance	108,493	78,560
Current year membershipfee	152,462	108,492
Amount paid - current year	(247,729)	(78,559)
<b>Due and payable</b>	<b>13,226</b>	<b>108,493</b>

#### **Other levies paid**

Skills Development Levy	190,837	176,888
Motor vehicle license fees collected and paid over to NWPLG	3,112,507	3,500,609
	<b>3,303,344</b>	<b>3,677,497</b>

#### **Audit fees**

Opening balance	3,544,242	2,552,422
Current year fee	850,009	1,071,311
Amount paid - current year	(664,644)	(79,491)
<b>Due and payable</b>	<b>3,729,607</b>	<b>3,544,242</b>

#### **PAYE and UIF**

Current year deductions and contributions	3,022,408	2,435,592
Amount paid - current year	(3,022,408)	(2,435,592)
	-	-

#### **Pension and Medical Aid Deductions**

Current year deductions and contributions	5,998,744	5,426,351
Amount paid - current year	(5,998,744)	(5,426,351)
	-	-

#### **Councillors' arrear consumer accounts**

No Councillors' had arrear accounts outstanding for more than 30 days for the year ended 30 June 2009 or 30 June 2010.



**Ventersdorp Local Municipality**

Annual Financial Statements for the year ended 30 June 2010  
Appendix A: Schedule of external loans

# Ventersdorp Local Municipality

## Appendix A

June 2010

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
Interest rate 10.05%	13030	2011/12/31	172,088	-	63,831	108,257	-
Interest rate 12%	10559/102	2017/09/30	994,016	-	72,649	921,367	-
Interest rate 8.78%	102014/1	2027/06/30	1,790,506	-	43,011	1,747,495	-
Interest rate 8.78%	102014/4	2027/06/30	253,945	-	6,734	247,211	-
			<b>3,210,555</b>	<b>-</b>	<b>186,225</b>	<b>3,024,330</b>	<b>-</b>
<b>INCA loan</b>							
Interest rate 9.28%	6871	2026/12/31	10,920,997	-	229,073	10,691,924	-
Interest rate 11%	7459	2022/06/30	7,706,693	-	289,190	7,417,503	-
			<b>18,627,690</b>	<b>-</b>	<b>518,263</b>	<b>18,109,427</b>	<b>-</b>
<b>Lease liability</b>							
ABSA - Interest rate 11.29%	65648984	2009/10/01	5,559	130	5,689	-	-
Standard Bank - Interest rate 16.15%	303375420-014	2010/05/01	25,583	1,471	27,054	-	-
Standard Bank - Interest rate 16.15%	303375420-013	2010/05/01	25,582	1,472	27,054	-	-
			<b>56,724</b>	<b>3,073</b>	<b>59,797</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa			3,210,555	-	186,225	3,024,330	-
INCA loan			18,627,690	-	518,263	18,109,427	-
Lease liability			56,724	3,073	59,797	-	-
			<b>21,894,969</b>	<b>3,073</b>	<b>764,285</b>	<b>21,133,757</b>	<b>-</b>

# **Ventersdorp Local Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary Information**

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Appendix B: Analysis of property, plant and equipment

# Ventersdorp Local Municipality

## Appendix B

June 2010

### Analysis of property, plant and equipment as at 30 June 2010

#### Cost

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>												
Land	3,206,622	-	-	-	-	3,206,622	-	-	-	-	-	3,206,622
Buildings	8,503,357	1,443,310	-	-	-	9,946,667	(572,235)	-	-	(296,346)	(868,581)	9,078,086
	<b>11,709,979</b>	<b>1,443,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,153,289</b>	<b>(572,235)</b>	<b>-</b>	<b>-</b>	<b>(296,346)</b>	<b>(868,581)</b>	<b>12,284,708</b>
<b>Infrastructure</b>												
Electricity Mains	884,939	-	-	-	-	884,939	(118,883)	-	-	(33,788)	(152,671)	732,268
Electricity Supply / Reticulation	8,376,979	-	-	-	-	8,376,979	(1,619,256)	-	-	(418,703)	(2,037,959)	6,339,020
Roads	27,821,077	1,914,567	-	-	-	29,735,644	(2,068,656)	-	-	(944,973)	(3,013,629)	26,722,015
Sewerage	1,459,169	6,419,926	-	-	-	7,879,095	(307,078)	-	-	(72,633)	(379,711)	7,499,384
Water Meters	214,477	-	-	-	-	214,477	(42,895)	-	-	(10,724)	(53,619)	160,858
Water Reservoirs	1,414,284	-	-	-	-	1,414,284	(81,790)	-	-	(47,514)	(129,304)	1,284,980
Water Main / Supply / Reticulation	1,912,572	-	-	-	-	1,912,572	(367,132)	-	-	(95,306)	(462,438)	1,450,134
	<b>42,083,497</b>	<b>8,334,493</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,417,990</b>	<b>(4,605,690)</b>	<b>-</b>	<b>-</b>	<b>(1,623,641)</b>	<b>(6,229,331)</b>	<b>44,188,659</b>
<b>Community Assets</b>												
Buildings	1,987,120	5,882,542	-	-	-	7,869,662	(222,242)	-	-	(363,895)	(586,137)	7,283,525
Community Centres	4,338,029	-	-	-	-	4,338,029	(48,833)	-	-	(103,190)	(152,023)	4,186,006
Library	19,745	-	-	-	-	19,745	(2,221)	-	-	(987)	(3,208)	16,537
Recreational Grounds and Facilities	1,415,718	-	-	-	-	1,415,718	(115,714)	-	-	(70,786)	(186,500)	1,229,218
Security Measures	673,728	-	-	-	-	673,728	(485,425)	-	-	(188,302)	(673,727)	1
	<b>8,434,340</b>	<b>5,882,542</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,316,882</b>	<b>(874,435)</b>	<b>-</b>	<b>-</b>	<b>(727,160)</b>	<b>(1,601,595)</b>	<b>12,715,287</b>

# Ventersdorp Local Municipality

## Appendix B

June 2010

### Analysis of property, plant and equipment as at 30 June 2010

#### Cost

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>												
Historical Assets	1,332	-	-	-	-	1,332	-	-	-	-	-	1,332
	<b>1,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,332</b>
<b>Specialised vehicles</b>												
Housing Sale Scheme	2,350,519	-	-	-	-	2,350,519	-	-	-	-	-	2,350,519
	<b>2,350,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,350,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,350,519</b>
<b>Other assets</b>												
Buildings	3,551,757	-	-	-	-	3,551,757	(473,550)	-	-	(118,387)	(591,937)	2,959,820
Emergency Equipment	123,647	-	-	-	-	123,647	(33,861)	-	-	(8,465)	(42,326)	81,321
Furniture and Fittings	797,494	217,614	-	-	-	1,015,108	(428,611)	-	-	(136,033)	(564,644)	450,464
Fire Engines	1,761,977	-	-	-	-	1,761,977	(693,776)	-	-	(255,607)	(949,383)	812,594
Motor Vehicles	2,536,512	947,648	-	-	-	3,484,160	(971,573)	-	-	(657,009)	(1,628,582)	1,855,578
Computer Equipment	779,898	103,835	-	-	-	883,733	(605,929)	-	-	(172,394)	(778,323)	105,410
Office Equipment	283,699	-	-	-	-	283,699	(246,430)	-	-	(13,719)	(260,149)	23,550
Office Machines	87,916	-	-	-	-	87,916	(72,995)	-	-	(7,853)	(80,848)	7,068
Plant and Equipment	577,648	-	-	-	-	577,648	(455,270)	-	-	(84,451)	(539,721)	37,927
Property and Plant Other	136,041	-	-	-	-	136,041	(105,169)	-	-	(26,563)	(131,732)	4,309
	<b>10,636,589</b>	<b>1,269,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,905,686</b>	<b>(4,087,164)</b>	<b>-</b>	<b>-</b>	<b>(1,480,481)</b>	<b>(5,567,645)</b>	<b>6,338,041</b>
<b>Total property plant and equipment</b>	<b>75,216,256</b>	<b>16,929,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,145,698</b>	<b>(10,139,524)</b>	<b>-</b>	<b>-</b>	<b>(4,127,628)</b>	<b>(14,267,152)</b>	<b>77,878,546</b>
<b>Total</b>												
Land and buildings	11,709,979	1,443,310	-	-	-	13,153,289	(572,235)	-	-	(296,346)	(868,581)	12,284,708
Infrastructure	42,083,497	8,334,493	-	-	-	50,417,990	(4,605,690)	-	-	(1,623,641)	(6,229,331)	44,188,659
Community Assets	8,434,340	5,882,542	-	-	-	14,316,882	(874,435)	-	-	(727,160)	(1,601,595)	12,715,287
Heritage assets	1,332	-	-	-	-	1,332	-	-	-	-	-	1,332
Specialised vehicles	2,350,519	-	-	-	-	2,350,519	-	-	-	-	-	2,350,519
Other assets	10,636,589	1,269,097	-	-	-	11,905,686	(4,087,164)	-	-	(1,480,481)	(5,567,645)	6,338,041
	<b>75,216,256</b>	<b>16,929,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,145,698</b>	<b>(10,139,524)</b>	<b>-</b>	<b>-</b>	<b>(4,127,628)</b>	<b>(14,267,152)</b>	<b>77,878,546</b>

# **Ventersdorp Local Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary Information**

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Appendix C: Segmental analysis of property, plant and equipment

## Ventersdorp Local Municipality Appendix C

June 2010

### Segmental analysis of property, plant and equipment as at 30 June 2010

Cost	Accumulated Depreciation
100,000	20,000
80,000	10,000
60,000	5,000
40,000	2,500
20,000	1,250
10,000	625
5,000	312.50
2,500	156.25
1,250	78.12
625	39.06
312.50	19.53
156.25	9.77
78.12	4.88
39.06	2.44
19.53	1.22
9.77	0.61
4.88	0.31
2.44	0.15
1.22	0.08
0.61	0.04
0.31	0.02
0.15	0.01
0.08	0.00
0.04	0.00
0.02	0.00
0.01	0.00
0.00	0.00

Opening Balance Rand	Additions Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
10,836,511	1,448,359	12,284,870	(1,294,946)	(571,677)	(1,866,623)	10,418,247
302,958	-	302,958	(193,732)	(69,430)	(263,162)	39,796
2,362,027	316,400	2,678,427	(424,003)	(160,629)	(584,632)	2,093,795
86,993	-	86,993	(43,769)	(10,534)	(54,303)	32,690
633,746	-	633,746	(377,041)	(163,654)	(540,695)	93,051
2,441,237	-	2,441,237	(17,841)	(4,460)	(22,301)	2,418,936
2,235,603	244,074	2,479,677	(970,206)	(375,544)	(1,345,750)	1,133,927
5,379,876	5,882,542	11,262,418	(557,332)	(485,486)	(1,042,818)	10,219,600
23,397,707	9,038,067	32,435,774	(1,998,297)	(1,002,052)	(3,000,349)	29,435,425
4,823,150	-	4,823,150	(815,057)	(242,860)	(1,057,917)	3,765,233
360,773	-	360,773	(49,921)	(12,963)	(62,884)	297,889
4,188,060	-	4,188,060	(639,092)	(208,323)	(847,415)	3,340,645
14,029,433	-	14,029,433	(2,195,867)	(679,882)	(2,875,749)	11,153,684
4,138,182	-	4,138,182	(562,420)	(140,134)	(702,554)	3,435,628
<b>75,216,256</b>	<b>16,929,442</b>	<b>92,145,698</b>	<b>(10,139,524)</b>	<b>(4,127,628)</b>	<b>(14,267,152)</b>	<b>77,878,546</b>
75,216,256	16,929,442	92,145,698	(10,139,524)	(4,127,628)	(14,267,152)	77,878,546
<b>75,216,256</b>	<b>16,929,442</b>	<b>92,145,698</b>	<b>(10,139,524)</b>	<b>(4,127,628)</b>	<b>(14,267,152)</b>	<b>77,878,546</b>

**Supplementary Information**

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Appendix D: Segmental Statement of Financial Performance



# Ventersdorp Local Municipality

## Appendix D

June 2010

### Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
14,808,349	14,967,378	(159,029)	Executive & Council/Mayor and Council	19,724,848	17,952,950	1,771,898
24,311,797	33,641,351	(9,329,554)	Finance & Admin/Finance	27,568,246	35,032,223	(7,463,977)
-	26,594	(26,594)	Planning and Development/Economic Development/Plan	-	-	-
183,607	195,664	(12,057)	Health/Clinics	-	11,056	(11,056)
-	2,157,458	(2,157,458)	Comm. & Social/Libraries and archives	-	2,960,706	(2,960,706)
-	337,199	(337,199)	Housing	-	253,509	(253,509)
7,253,468	6,185,369	1,068,099	Public Safety/Police	7,204,545	5,809,007	1,395,538
7,609	414,197	(406,588)	Sport and Recreation	1,545	807,206	(805,661)
1,931,061	666,700	1,264,361	Waste Water Management/Sewerage	3,749,136	3,029,413	719,723
2,893,956	2,265,582	628,374	Road Transport/Roads	2,158,737	974,435	1,184,302
3,591,166	3,003,914	587,252	Water/Water Distribution	5,048,884	2,147,831	2,901,053
17,914,603	14,723,815	3,190,788	Electricity /Electricity Distribution	18,773,110	19,767,585	(994,475)
<b>72,895,616</b>	<b>78,585,221</b>	<b>(5,689,605)</b>		<b>84,229,051</b>	<b>88,745,921</b>	<b>(4,516,870)</b>
<b>Other charges</b>						
(793,458)	(793,458)	-		-	-	-
<b>(793,458)</b>	<b>(793,458)</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
72,895,616	78,585,221	(5,689,605)	Municipality	84,229,051	88,745,921	(4,516,870)
(793,458)	(793,458)	-	Other charges	-	-	-
<b>72,102,158</b>	<b>77,791,763</b>	<b>(5,689,605)</b>	<b>Total</b>	<b>84,229,051</b>	<b>88,745,921</b>	<b>(4,516,870)</b>

# Ventersdorp Local Municipality

Annual Financial Statements for the year ended 30 June 2010

## Supplementary Information

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Appendix E(1): Actual versus Budget (Revenue and Expenditure)

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2010 Act. Bal.	Current year 2010 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Property rates	3,169,019	3,134,431	34,588	1.1	
Service charges	26,299,415	28,517,390	(2,217,975)	(7.8)	
Rental of facilities and equipment	32,201	19,000	13,201	69.5	
Fines	5,590,878	8,001,200	(2,410,322)	(30.1)	Main road closed for re-construction
Licences and permits	1,621,118	810,000	811,118	100.1	Budgeted income understated
Government grants & subsidies	46,305,071	31,813,300	14,491,771	45.6	Budgeted income understated
Other income	710,705	135,100	575,605	426.1	Budgeted income understated
Interest received - investment	500,644	200,000	300,644	150.3	Budgeted income understated
	84,229,051	72,630,421	11,598,630	16.0	

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2010 Act. Bal.	Current year 2010 Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(22,599,510)	(26,827,588)	4,228,078	15.8 Not all budgeted positions filled
Remuneration of councillors	(2,047,050)	(2,027,076)	(19,974)	1.0
Leave pay provision	326,119	-	326,119	-
Depreciation	(4,127,628)	-	(4,127,628)	- GRAP implementation not budgeted
Finance costs	(3,285,805)	(1,913,635)	(1,372,170)	(72.2) Budget underestimated
Bad debt provision	(8,183,554)	(5,000,000)	(3,183,554)	(63.7) Budget not reflecting true bad debts position
Repairs and maintenance	(2,587,485)	(3,500,500)	913,015	26.1 Under expenditure on maintenance
Bulk purchases	(15,078,523)	(13,372,320)	(1,706,203)	(12.8) Budget underestimated
Contracted Services	(6,735,258)	(6,440,000)	(295,258)	(4.6)
General Expenses	(24,427,227)	(17,531,493)	(6,895,734)	(43.8) Budget underestimated
Net deficit for the year	(88,745,921)	(76,612,612)	(12,133,309)	15.8
	(4,516,870)	(3,982,191)	(534,679)	13.4
Loss for the year	(4,516,870)	(3,982,191)	(534,679)	13.4

**Ventersdorp Local Municipality**

Annual Financial Statements for the year ended 30 June 2010

**Supplementary Information**

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Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

# Ventersdorp Local Municipality

## Appendix E(2)

June 2010

### Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Original	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Budget	Rand	%	variances from budget
		Rand	Rand			
<b>Municipality</b>						
Executive & Council/Mayor and Council	1,448,359	1,300,000	1,300,000	(148,359)	(11)	
Finance & Admin/Finance	316,400	627,000	627,000	310,600	50	
Public Safety/Police	244,074	250,000	250,000	5,926	2	
Sport and Recreation	5,882,542	6,709,839	6,709,839	827,297	12	
Road Transport/Roads	9,038,067	8,999,362	8,999,362	(38,705)	-	
	<b>16,929,442</b>	<b>17,886,201</b>	<b>17,886,201</b>	<b>956,759</b>	<b>5</b>	

## **Ventersdorp Local Municipality**

Annual Financial Statements for the year ended 30 June 2010

### **Supplementary Information**

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Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Ventersdorp Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2010

Name of Grants	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
EQS	-	-	-	-	25,903,219	-	-	-	-	(25,903,219)	-	-	-	-	-
MIG	-	-	-	-	13,098,950	-	-	-	-	(14,217,035)	-	-	-	-	-
DWAF	-	-	-	-	2,150,610	-	-	-	-	(2,150,610)	-	-	-	-	-
DSAC Library	-	-	-	-	300,000	-	-	-	-	(300,000)	-	-	-	-	-
FMG	-	-	-	-	750,000	-	-	-	-	(750,000)	-	-	-	-	-
MIG PMU	-	-	-	-	939,079	-	-	-	-	(939,079)	-	-	-	-	-
MSIG	-	-	-	-	735,000	-	-	-	-	(735,000)	-	-	-	-	-
HOUSING	-	-	-	-	1,310,128	-	-	-	-	(1,310,128)	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	45,186,986	-	-	-	-	(46,305,071)	-	-	-	-	-

Note : above amounts are in millions (R'000)